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CENTRAL INTELLIGENCE BULLETIN



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State Dept. review completed

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26 JANUARY 1960

I. THE COMMUNIST BLOC

Peiping issues inflated production claims in communiqué on 1959 economic results.

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II. ASIA-AFRICA

Algeria--De Gaulle pledges restoration of order in Algiers; confronts local authorities with need for decision to use force against insurgent Frenchmen.

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Tunisian President Bourguiba calls for French evacuation of Bizerte base; French position reportedly "not negotiable."

③

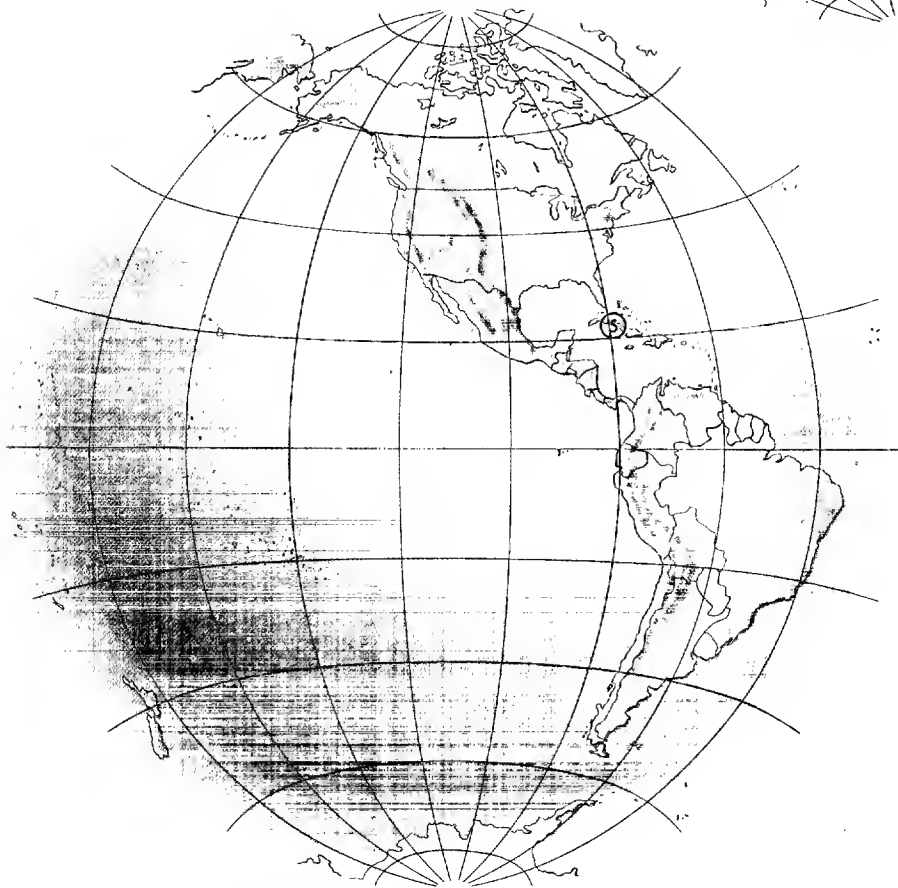
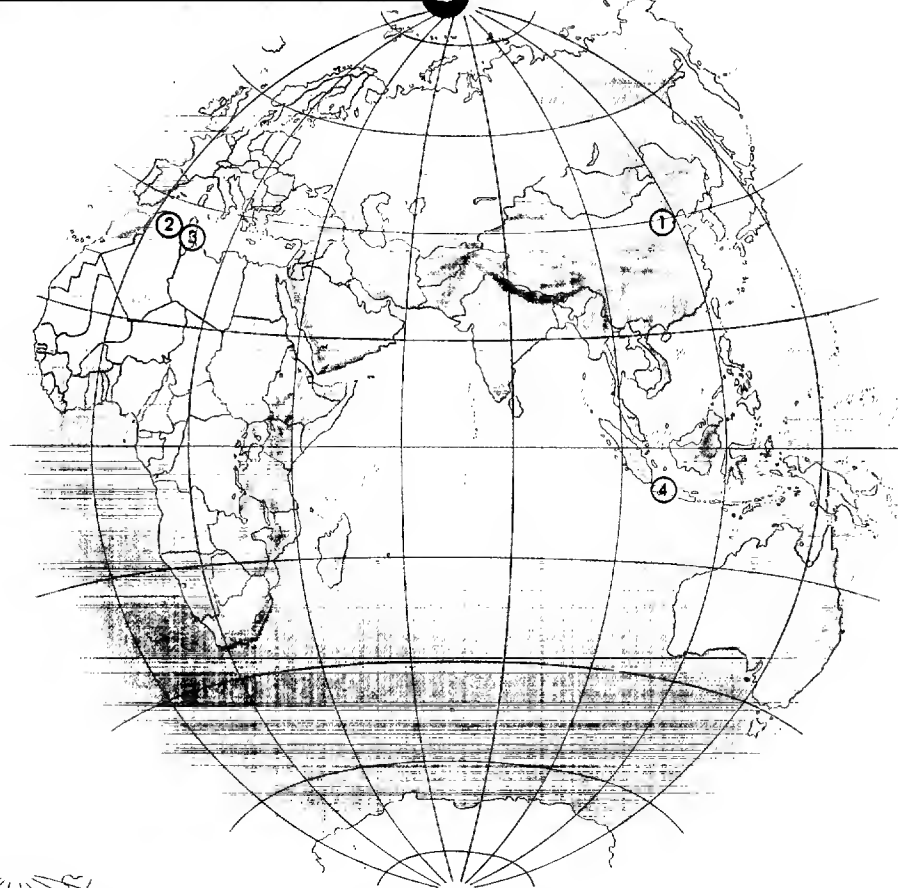
Indonesia--Rapid inflation continuing; may lead to unrest.

④

III. THE WEST

Cuba--National Bank head "Che" Guevara forbids rediscounting of crop loans by foreign banks; could be prelude to nationalization of the banking system.

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CENTRAL INTELLIGENCE BULLETIN

26 January 1960

DAILY BRIEF

I. THE COMMUNIST BLOC

OK Communist China: Peiping has issued a glowing, but exaggerated, communiqué on its economy during 1959. A 40-percent rise in industrial output is claimed, but is more likely closer to 25 or 30 percent. Contrary to Peiping's claim of increased harvests over 1958, agricultural output is believed to have dropped--in the case of grain, by some five to seven percent. [REDACTED]

II. ASIA-AFRICA

OK Algeria-France: The reinforcing by settler insurgents of two strong points in downtown Algiers poses the threat of further clashes between European extremists and French security forces. The number of hard-core extremists manning the barricades--many of whom are armed with automatic weapons and grenades--reportedly rose from 1,000 to 2,500 during a de facto truce on 25 January. Demonstrations have also taken place in Oran, Bone, and Constantine. One insurgent leader stated that his followers would lay down their arms only if De Gaulle would guarantee a "French Algeria."

In Paris, however, following a special cabinet meeting, De Gaulle pledged himself to restore order in Algiers and to press forward with his program for Algerian self-determination. This presents the Algiers authorities with the problem of using force against Frenchmen. The dilemma may be reflected in some delay in implementing De Gaulle's public statement. [REDACTED]

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Tunisia: President Bourguiba in a speech yesterday insisted that France withdraw all forces from Bizerte and served notice that on 8 February he will implement measures to ensure French evacuation. A year ago Bourguiba offered to permit France to retain its base at Bizerte if Paris would end the Algerian war and meet nationalist demands; his current action is probably aimed at pressing France for ultimately more favorable solutions to outstanding French-Tunisian differences. It probably also springs from his concern over developments in Algeria and his desire to impress the All-African People's Conference, meeting in Tunis, with his stature as an African leader, as well as his strong opposition to the proposed French nuclear tests in the Sahara.

The French ambassador, who returned to Tunis from Paris on 19 January with new instructions for other negotiations, told the US ambassador that the French position at Bizerte is not negotiable, although France is willing to reduce its personnel there. [REDACTED]

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Indonesia: Recent reports on the Indonesian economic situation emphasize its accelerating deterioration. A continued rapid build-up of inflationary pressures may provoke serious popular unrest. A major immediate cause of the present inflation is the flight of Chinese capital which has followed measures taken against Chinese retailers in rural areas. There has recently been a heavy security guard over First Minister Djuanda because of concern over possible demonstrations. [REDACTED]

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III. THE WEST

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Cuba: "Che" Guevara, the pro-Communist president of the National Bank, has told the manager of an American branch bank in Cuba that foreign banks--principally American--will no longer be permitted to rediscount with the National Bank their crop loans to either American- or Cuban-owned sugar companies. Guevara explained this policy as

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one means for Cuba to defend itself against the "hostile and aggressive" policy of the US Government. While this action appears primarily one of discrimination against American banks, it could also be the prelude to depriving all private banks of the profitable and traditional short-term loans to sugar companies--a step toward nationalization of the entire banking system, one of Castro's early stated objectives.

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CLAIMED CHINESE
PRODUCTION FIGURES
(million tons)

	1958	1959
Steel	8	13.35
Coal	270	347.8
Grain	250	270
Cotton	2.1	2.41

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I. THE COMMUNIST BLOC

Communist China's Economic Claims for 1959

The official communiqué on the Chinese economy issued by Peiping on 22 January claims a 31.1-percent increase during 1959 in the value of industrial and agricultural output. Industrial output is said to have risen almost 40 percent and agricultural production 16.7 percent. These claims are exaggerated, but not as greatly as those advanced early last year for the 1958 "great leap forward."

The claim of a 40-percent rise in industry is almost certainly inflated, although an increase of 25 percent may have been achieved. Peiping's figure includes the usual inflation from double-counting. In addition, Peiping acknowledges that 4,720,000 tons of the 13,350,000 tons of steel claimed to have been produced last year came from local plants, and that small furnaces contributed over half of the claimed national output of over 20,000,000 tons of pig iron. The output of some of these plants and furnaces is of limited utility. Nevertheless, impressive increases were scored last year in the production of key industrial products, and a groundwork for further rapid advances was laid. Investment went up last year by almost one fourth, and 671 projects went into full or partial operation during the year.

Despite Peiping's rosy picture of China's agriculture during the past year, unfavorable weather is believed to have reduced farm output below the level of 1958, a good year. Grain production probably fell from some 210,000,000-215,000,000 tons in 1958 to around 200,000,000 last year. As a result, food supplies continue to be tight, but Peiping's strenuous efforts to stretch out supplies will probably forestall a critical nationwide shortage before the early harvest next June.

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II. ASIA-AFRICA

Tunisia Seeks French Evacuation of Bizerte Base

President Bourguiba in a 25 January speech served notice that on 8 February he will implement measures to ensure evacuation of all French forces from the base at Bizerte. France presently maintains about 7,000 army, navy, and air force personnel there. The date is the second anniversary of the French aerial bombardment of the Tunisian village of Sakiet Sidi Youssef on the Algerian border, which Bourguiba had exploited to obtain the withdrawal of all other French troops from Tunisia by the autumn of 1958.

Bourguiba made his statement to an open-air rally convoked in connection with the All-African People's Conference meeting in Tunis to protest the projected French atomic bomb tests in the Sahara. Last February, he had offered to reach an agreement with France regarding Bizerte if France would end the Algerian war and meet Algerian nationalist demands. His present demand probably springs from concern over developments in Algeria, belief that the French Army may wish to reoccupy Tunisia, and a desire to impress the All-African People's Conference--some participants of which have criticized him for cooperating with the West--with his devotion to African nationalist causes, as well as his strong opposition to the proposed French nuclear tests in the Sahara.

The French ambassador in Tunis, who returned from Paris on 19 January with instructions regarding negotiations with Tunisia on problems outstanding between the two governments, has informed the American ambassador that the French position regarding Bizerte is not negotiable. He added that France, however, might be willing to reduce personnel at the base to the minimum necessary for the base's security.

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New Inflationary High in Indonesia

Indonesia's steadily deteriorating economy has reached a new inflationary high. The open market rate for the rupiah, which was devaluated to 45 to the US dollar last August, has jumped within the past two weeks from 300 to 500 to the dollar, and prices of essential products have continued to rise.

The primary cause of the suddenly increased rate of rupiah depreciation is the flight of Chinese capital which, in turn, is the direct result of Indonesia's ban on alien retailers in rural areas. Many Chinese, although not immediately affected by the ban, are so acutely aware of the uncertainty of their future status in Indonesia that they are leaving the country or at least transferring their funds. Figures are not available on the number of Chinese or the amount of capital involved, but sailings for Hong Kong are booked solidly through August. Other causes of depreciation are public expectation of further devaluation and the continued shortage of essential commodities.

Parliament, the press, and labor unions have become openly critical of the government's economic policies, but so far with little effect. The Communist-controlled labor union, SOBSI, has demanded wage increases, and various protest groups have attempted small-scale demonstrations at government offices. Although the army has warned that the ban on demonstrations is still effective, further public action apparently is anticipated. During the past few days a heavy military guard has been placed at the office of First Minister, and concurrently Finance Minister, Djuanda. The government plans to announce shortly a prohibition on wage increases for 1960.

It is generally believed that inflationary pressure must become considerably greater before there is a threat of serious unrest. The present economic situation, combined with continuing political reorganization, however, contributes to increasing uneasiness and to further opportunities for the Communists to stir up dissension.

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The Secretary of State

The Under Secretary of State

The Under Secretary for Political Affairs

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The Director of Intelligence and Research

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Assistant Chief of Staff for Intelligence, Department of Army

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